

General Government Division

B-129874

July 15, 1993



149785

The Honorable John Bryant
Chairman, Subcommittee on Administrative
Law and Governmental Relations
Committee on the Judiciary
House of Representatives

Dear Mr. Chairman:

This is in response to your letter of May 11, 1993, requesting certain information reported by tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code. You requested data on lobbying expenses reported by 501(c)(3) tax-exempt organizations that had elected to limit their lobbying expenses to a specific amount under the authority of section 501(h) of the Internal Revenue Code, and on those that had not so elected.

In summary, we found that less than one-half of 1 percent of the 501(c)(3) tax-exempt organizations reported lobbying expenses for tax periods ending in either fiscal years 1991 or 1992. These lobbying expenses totaled \$46.1 million. One-third of those organizations reporting lobbying expenses elected to limit their expenses to specific amounts pursuant to section 501(h), and their median reported expenses was \$5,196. The median reported expenses for the remaining organizations was \$600.

BACKGROUND

Types of 501(c)(3) organizations include entities organized and operated exclusively for religious, charitable, scientific, testing for public safety, literacy, or educational purposes; the prevention of cruelty to children or animals; or to foster amateur sports. As of April 30, 1993, the number of 501(c)(3) organizations totaled 526,874.

Tax-exempt organizations under 501(c)(3) (other than private foundations) having gross receipts in excess of \$25,000 are generally required to file a Form 990 information return, Return of Organization Exempt From

GAO/GGD-93-52R, Lobbying Expenses

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General Accounting Office unless specifically
approved by the Office of Congressional
Relations.

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Income Tax, with the Internal Revenue Service (IRS). These organizations are also required to report any lobbying expenses incurred during each tax year on Schedule A of Form 990. The filing of Form 990 does not apply to churches, integrated auxiliaries of churches, and conventions or associations of churches.

Under current law, 501(c)(3) organizations that engage in lobbying must limit their lobbying expenses to an insubstantial portion of their total expenses unless they make an election to be governed by specific dollar expenditure limitations pursuant to section 501(h). Thus, 501(h) is a safe harbor. It allows certain 501(c)(3) organizations to elect to be governed by fixed dollar guidelines with regard to lobbying expenses instead of having to determine what constitutes "insubstantial." To elect the 501(h) provision, qualified organizations are required to file Form 5768, Election/Revocation of Election by an Eligible 501(c)(3) Organization to Make Expenditures To Influence Legislation.

IRS collects information on lobbying expenses reported by 501(c)(3) organizations. According to IRS officials, in April of each year it runs a computer program titled "Legislative Influence Question and Lobby Election Listing." This program extracts from its Business Master File those returns reporting lobbying expenses. Included in this program is a code identifying organizations electing the 501(h) provision.

DATA ON LOBBYING EXPENSES

As agreed with the Subcommittee staff, we obtained a computer tape and hard copy listing from IRS of the 501(c)(3) tax-exempt organizations reporting lobbying expenses or making the election under 501(h) and extracted and summarized information on lobbying expenses as of April 30, 1993. As requested, we included (1) only the most recent information return filed by a 501(c)(3) tax-exempt organization and (2) those organizations that reported zero or greater in lobbying expenses.

Of the 526,874¹ 501(c)(3) organizations, 2,534--less than one-half of 1 percent--reported lobbying expenses for tax periods ending in either fiscal years 1991 or 1992, the latest returns available. Of these 2,534 returns, 848 returns indicated election of 501(h) status and 1,686 returns indicated no such election. Combined, these returns reported \$46.1 million in

¹The 526,874 figure includes (1) churches, integrated auxiliaries of churches, and conventions or associations of churches, which are not required to file Form 990; and (2) private foundations, which are prohibited from lobbying.

lobbying expenses. The following table shows a breakdown of the number of returns and associated dollar amounts for those organizations electing 501(h) status and those that did not elect this provision.

Table 1: Reported Lobbying Expenses of 501(c)(3) Tax-Exempt Organizations Indicating 501(h) Election and Those Organizations Not Indicating This Election

	Organizations electing 501 (h)	Organizations not electing 501 (h)	All organizations
Returns	848	1,686	2,534
Dollars	\$22,688,552	\$23,448,180	46,136,732
Median dollars	\$5,196	\$600	\$1,519

This information is provided in more detail in the enclosures to this letter. We did not verify the accuracy of the information obtained. Also, the percentages in the enclosures do not always total due to rounding.

As agreed with your office, we have forwarded a copy of this letter to the Chairman, Subcommittee on Oversight of Government Management, Committee on Governmental Affairs, United States Senate. Unless you publicly release its contents earlier, we plan no further distribution of this correspondence until 30 days from the date of issuance. Copies will then be made available to others upon request. If you have any questions, please call me at (202) 512-5074.

Sincerely yours,



Nancy Kingsbury
Director
Federal Human Resource Management
Issues

Enclosures - 3

**DOLLAR RANGE OF LOBBYING EXPENSES REPORTED ON INFORMATION RETURNS
FOR TAX PERIODS ENDING FEBRUARY 1991 THROUGH SEPTEMBER 1992
OF 501(c)(3) TAX-EXEMPT ORGANIZATIONS
AS OF APRIL 30, 1993**

Dollar Range of Lobbying Expenses	Number of Tax Returns	Cumulative Number of Tax Returns	Percentage of Tax Returns	Cumulative Percentage of Tax Returns	Amount of Lobbying Expenses	Cumulative Amount of Lobbying Expenses	Percentage of Lobbying Expenses	Cumulative Percentage of Lobbying Expenses
\$0	739	739	29.16	29.16	\$0	\$0	0.00	0.00
\$1- 100	108	847	4.26	33.43	5,199	5,199	0.01	0.01
101 - 500	190	1,037	7.50	40.92	60,330	65,529	0.13	0.14
501 - 1,000	142	1,179	5.60	46.53	110,489	176,018	0.24	0.38
1,001 - 2,000	159	1,338	6.27	52.80	235,512	411,530	0.51	0.89
2,001 - 3,000	90	1,428	3.55	56.35	231,740	643,270	0.50	1.39
3,001 - 4,000	89	1,517	3.51	59.87	314,049	957,319	0.68	2.07
4,001 - 5,000	81	1,598	3.20	63.06	370,958	1,328,277	0.80	2.88
5,001 - 6,000	48	1,646	1.89	64.96	266,523	1,594,800	0.58	3.46
6,001 - 7,000	48	1,694	1.89	66.85	313,068	1,907,868	0.68	4.14
7,001 - 8,000	53	1,747	2.09	68.94	396,647	2,304,515	0.86	4.99
8,001 - 9,000	44	1,791	1.74	70.68	374,918	2,679,433	0.81	5.81
9,001 - 10,000	39	1,830	1.54	72.22	378,230	3,057,663	0.82	6.63
10,001 - 11,000	28	1,858	1.10	73.32	293,917	3,351,580	0.64	7.26
11,001 - 12,000	38	1,896	1.50	74.82	440,360	3,791,940	0.95	8.22
12,001 - 14,000	55	1,951	2.17	76.99	715,509	4,507,449	1.55	9.77
14,001 - 15,000	25	1,976	0.99	77.98	365,835	4,873,284	0.79	10.56
15,001 - 20,000	101	2,077	3.99	81.97	1,765,664	6,638,948	3.83	14.39
20,001 - 30,000	114	2,191	4.50	86.46	2,823,962	9,462,910	6.12	20.51
30,001 - 40,000	67	2,258	2.64	89.11	2,292,041	11,754,951	4.97	25.48
40,001 - 50,000	60	2,318	2.37	91.48	2,699,780	14,454,731	5.85	31.33
50,001 - 60,000	32	2,350	1.26	92.74	1,735,189	16,189,920	3.76	35.09
60,001 - 70,000	31	2,381	1.22	93.96	1,997,845	18,187,765	4.33	39.42
70,001 - 80,000	17	2,398	0.67	94.63	1,258,739	19,446,504	2.73	42.15
80,001 - 90,000	21	2,419	0.83	95.46	1,796,033	21,242,537	3.89	46.04
90,001 - 100,000	16	2,435	0.63	96.09	1,521,230	22,763,767	3.30	49.34
100,001 - 200,000	59	2,494	2.33	98.42	7,922,676	30,686,443	17.17	66.51
200,001 - 300,000	24	2,518	0.95	99.37	5,828,166	36,514,609	12.63	79.14
300,001 - 400,000	4	2,522	0.16	99.53	1,430,924	37,945,533	3.10	82.25
400,001 - 1,000,000	11	2,533	0.43	99.96	6,662,892	44,608,425	14.44	96.69
\$1,000,001 or more	1	2,534	0.04	100.00	1,528,307	46,136,732	3.31	100.00
TOTAL	2,534		100.00		\$46,136,732		100.00	

Source: Internal Revenue Service

ENCLOSURE 1

ENCLOSURE 1

DOLLAR RANGE OF LOBBYING EXPENSES REPORTED ON INFORMATION RETURNS
FOR TAX PERIODS ENDING FEBRUARY 1991 THROUGH SEPTEMBER 1992
OF 501(c)(3) TAX-EXEMPT ORGANIZATIONS NOT ELECTING 501(h) STATUS
AS OF APRIL 30, 1993

Dollar Range of Lobbying Expenses	Number of Tax Returns	Cumulative Number of Tax Returns	Percentage of Tax Returns	Cumulative Percentage of Tax Returns	Amount of Lobbying Expenses	Cumulative Amount of Lobbying Expenses	Percentage of Lobbying Expenses	Cumulative Percentage of Lobbying Expenses
\$0	584	584	34.64	34.64	\$0	\$0	0.00	0.00
\$1- 100	96	680	5.69	40.33	4,632	4,632	0.02	0.02
101 - 500	144	824	8.54	48.87	46,867	51,499	0.20	0.22
501 - 1,000	107	931	6.35	55.22	84,672	136,171	0.36	0.58
1001 - 2,000	101	1,032	5.99	61.21	146,232	282,403	0.62	1.20
2,001 - 3,000	49	1,081	2.91	64.12	127,794	410,197	0.55	1.75
3,001 - 4,000	53	1,134	3.14	67.26	185,954	596,151	0.79	2.54
4,001 - 5,000	43	1,177	2.55	69.81	196,890	793,041	0.84	3.38
5,001 - 6,000	28	1,205	1.66	71.47	156,672	949,713	0.67	4.05
6,001 - 7,000	29	1,234	1.72	73.19	188,219	1,137,932	0.80	4.85
7,001 - 8,000	33	1,267	1.96	75.15	245,984	1,383,916	1.05	5.90
8,001 - 9,000	24	1,291	1.42	76.57	205,218	1,589,134	0.88	6.78
9,001 - 10,000	20	1,311	1.19	77.76	192,100	1,781,234	0.82	7.60
10,001 - 11,000	14	1,325	0.83	78.59	146,497	1,927,731	0.62	8.22
11,001 - 12,000	22	1,347	1.30	79.89	255,304	2,183,035	1.09	9.31
12,001 - 14,000	26	1,373	1.54	81.44	338,286	2,521,321	1.44	10.75
14,001 - 15,000	18	1,391	1.07	82.50	264,300	2,785,621	1.13	11.88
15,001 - 20,000	56	1,447	3.32	85.82	985,104	3,770,725	4.20	16.08
20,001 - 30,000	67	1,514	3.97	89.80	1,664,875	5,435,600	7.10	23.18
30,001 - 40,000	35	1,549	2.08	91.87	1,209,776	6,645,376	5.16	28.34
40,001 - 50,000	33	1,582	1.96	93.83	1,468,972	8,114,348	6.26	34.61
50,001 - 60,000	17	1,599	1.01	94.84	915,716	9,030,064	3.91	38.51
60,001 - 70,000	10	1,609	0.59	95.43	646,176	9,676,240	2.76	41.27
70,001 - 80,000	11	1,620	0.65	96.09	819,833	10,496,073	3.50	44.76
80,001 - 90,000	10	1,630	0.59	96.68	868,441	11,364,514	3.70	48.47
90,001 - 100,000	7	1,637	0.42	97.09	672,973	12,037,487	2.87	51.34
100,001 - 200,000	31	1,668	1.84	98.93	4,171,915	16,209,402	17.79	69.13
200,001 - 300,000	11	1,679	0.65	99.58	2,667,625	18,877,027	11.38	80.51
300,001 - 400,000	2	1,681	0.12	99.70	690,953	19,567,980	2.95	83.45
400,001 - 1,000,000	4	1,685	0.24	99.94	2,351,893	21,919,873	10.03	93.48
\$1,000,001 or more	1	1,686	0.06	100.00	1,528,307	23,448,180	6.52	100.00
TOTAL	1,686		100.00		\$23,448,180		100.00	

Source: Internal Revenue Service

ENCLOSURE II

ENCLOSURE II

DOLLAR RANGE OF LOBBYING EXPENSES REPORTED ON INFORMATION RETURNS
FOR TAX PERIODS ENDING FEBRUARY 1991 THROUGH SEPTEMBER 1992
OF 501(c)(3) TAX-EXEMPT ORGANIZATIONS ELECTING 501(h) STATUS
AS OF APRIL 30, 1993

Dollar Range of Lobbying Expenses	Number of Tax Returns	Cumulative Number of Tax Returns	Percentage of Tax Returns	Cumulative Percentage of Tax Returns	Amount of Lobbying Expenses	Cumulative Amount of Lobbying Expenses	Percentage of Lobbying Expenses	Cumulative Percentage of Lobbying Expenses
\$0	155	155	18.28	18.28	\$0	\$0	0.00	0.00
\$1- 100	12	167	1.42	19.69	567	567	0.00	0.00
101 - 500	46	213	5.42	25.12	13,463	14,030	0.06	0.06
501 - 1,000	35	248	4.13	29.25	25,817	39,847	0.11	0.18
1,001 - 2,000	58	306	6.84	36.08	89,280	129,127	0.39	0.57
2,001 - 3,000	41	347	4.83	40.92	103,946	233,073	0.46	1.03
3,001 - 4,000	36	383	4.25	45.17	128,095	361,168	0.56	1.59
4,001 - 5,000	38	421	4.48	49.65	174,068	535,236	0.77	2.36
5,001 - 6,000	20	441	2.36	52.00	109,851	645,087	0.48	2.84
6,001 - 7,000	19	460	2.24	54.25	124,849	769,936	0.55	3.39
7,001 - 8,000	20	480	2.36	56.60	150,663	920,599	0.66	4.06
8,001 - 9,000	20	500	2.36	58.96	169,700	1,090,299	0.75	4.81
9,001 - 10,000	19	519	2.24	61.20	186,130	1,276,429	0.82	5.63
10,001 - 11,000	14	533	1.65	62.85	147,420	1,423,849	0.65	6.28
11,001 - 12,000	16	549	1.89	64.74	185,056	1,608,905	0.82	7.09
12,001 - 14,000	29	578	3.42	68.16	377,223	1,986,128	1.66	8.75
14,001 - 15,000	7	585	0.83	68.99	101,535	2,087,663	0.45	9.20
15,001 - 20,000	45	630	5.31	74.29	780,560	2,868,223	3.44	12.64
20,001 - 30,000	47	677	5.54	79.83	1,159,087	4,027,310	5.11	17.75
30,001 - 40,000	32	709	3.77	83.61	1,082,265	5,109,575	4.77	22.52
40,001 - 50,000	27	736	3.18	86.79	1,230,808	6,340,383	5.42	27.95
50,001 - 60,000	15	751	1.77	88.56	819,473	7,159,856	3.61	31.56
60,001 - 70,000	21	772	2.48	91.04	1,351,669	8,511,525	5.96	37.51
70,001 - 80,000	6	778	0.71	91.75	438,906	8,950,431	1.93	39.45
80,001 - 90,000	11	789	1.30	93.04	927,592	9,878,023	4.09	43.54
90,001 - 100,000	9	798	1.06	94.10	848,257	10,726,280	3.74	47.28
100,001 - 200,000	28	826	3.30	97.41	3,750,761	14,477,041	16.53	63.81
200,001 - 300,000	13	839	1.53	98.94	3,160,541	17,637,582	13.93	77.74
300,001 - 400,000	2	841	0.24	99.17	739,971	18,377,553	3.26	81.00
400,001 - 1,000,000	7	848	0.83	100.00	4,310,999	22,688,552	19.00	100.00
\$1,000,001 or more	0	848	0.00	100.00	0	22,688,552	0.00	100.00
TOTAL	848		100.00		\$22,688,552		100.00	

Source: Internal Revenue Service

ENCLOSURE III

ENCLOSURE III